

## Message Text

CONFIDENTIAL

PAGE 01 BANGKO 00569 091330Z

46

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 PM-04

H-02 L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

IO-11 AID-05 OMB-01 /102 W

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R 091214Z JAN 76

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 6591

INFO AMEMBASSY TOKYO

AMEMBASSY SEOUL

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY COLOMBO

C O N F I D E N T I A L BANGKOK 0569

E.O. 11652: GDS

TAGS: EAIR, TH, UK

SUBJ: CIVAIR: AIRSIAM SEEKS THAI INTERNATIONAL ROUTES

REF: A) 75 BANGKOK 26347 (NOTAL) B) 75 BANGKOK 21389  
(NOTAL) C) 75 BANGKOK 24746 (NOTAL) D) 75 BANGKOK 25462 (NOTAL)

1. IN WAKE OF BRITISH PROHIBITION, EFFECTIVE JAN 1, OF  
CARRIAGE FIFTH FREEDOM TRAFFIC BY THAI AIRLINES ON HONG KONG-  
TOKYO SECTOR (REF A), AIR SIAM HAS LAUNCHED PROPOSAL THAT  
MINISTRY OF COMMUNICATIONS RESTRUCTURE THAI ROUTE NETWORK,  
IN AIR SIAM'S FAVOR AND TO DETRIMENT THAI INTERNATIONAL.  
ESSENCE OF PROPOSAL IS THAT AIR SIAM WOULD FLY NORTH AND  
EAST OF BANGKOK WHILE THAI INTER WOULD FLY SOUTH AND WEST.

2. THAI INTER IS, NATURALLY, OPPOSING AIR SIAM PROPOSAL,  
ALLEGING THAT LOSS OF BANGKOK-HONG KONG-TAIPEI-JAPAN SERVICES,  
IN PARTICULAR, WOULD RESULT IN 30 PERCENT DROP IN REVENUES  
WITH CONSEQUENT DISMISSAL OF BETWEEN 1,000 AND 4,000

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PAGE 02 BANGKO 00569 091330Z

EMPLOYEES. THAI INTER WORKERS HAVE REGISTERED OPPOSITION TO

PROPOSAL IN RALLY AT GOVERNMENT HOUSE.

3. AIR SIAM'S DYNAMIC VIRACHAI VANNUKUL HAS REPOSTED IN SERIES OF PRESS CONFERENCES AND FULL PAGE NEWSPAPER ADVERTISEMENTS THAT AIR SIAM WILL BE FORCED TO CLOSE DOWN UNLESS THE RTG CAN FORCE THE BRITISH TO LIFT THE FIFTH FREEDOM BAN. ALTERNATIVELY, AIR SIAM WOULD HIRE AT LEAST 1,000 THAI INTER EMPLOYEES IN AIR SIAM GETS THAI INTER ROUTES, ACCORDING VIRACHAI, WHO ALSO ANNOUNCED FOLLOWING GRANDOISE ROUTE PATTERN: BANGKOK-HONG KONG-TAIPEI-TOKYO-HONOLULU-LOS ANGELES DAILY RPT DAILY; BANGKOK-MANILA-OSAKA-SEOUL THREE TIMES WEEKLY. ACCORDING VIRACHAI, AIR SIAM, WHICH IS CURRENTLY OPERATING UNDER LEASE, ONE 747 AND ONE DC-10, WILL ACQUIRE ONE ADDITIONAL 747 AND ONE LOCKHEED L-1011 FOR NEW SERVICES. PRESS QUOTES VIRACHAI AS SAYING COMMUNICATIONS MINISTER SIRI SIRIYOTHIN HAS AGREED TO HELP AIR SIAM.

4. IN NORMAL CIRCUMSTANCES, ANY PROPOSAL TO ENRICH AIR SAIM AT EXPENSE OF THAI INTER WOULD HAVE DIED ABORNING. HOWEVER, ACCORDING AMERICAN SOURCE CLOSE TO BOTH AIR SIAM AND THAI INTER, SEVERAL THAI BANKS, TO WHOM AIR SIAM IS DEEPLY INDEBTED, GENUINELY FEAR AIR SIAM WILL GO UNDER AS RESULT BRITISH BAN ON HONG KONG-TOKYO SECTOR. THEREFORE, ACCORDING SOURCE, BANKS HAVE INTERVENED WITH GOVERNMENT IN SUPPORT OF ROUTE RESTRUCTURING PROPOSAL AS MEANS BY WHICH THEY CAN, PERHAPS, KEEP AIR SIAM AFLOAT, AND THUS PROTECT THEIR LOANS. SAME SOURCE ALLEGED THAT INQUIRY INTO FINANCIAL STANDING AND OWNERSHIP OF AIR SIAM HAS BEEN COMPLETED (REF B), BUT THAT CABINET HAS DIRECTED IT BE BURIED BECAUSE OF POSSIBLE ADVERSE PUBLICITY, AND FINANCIAL LOSSES, FOR GOVERNMENT OFFICIALS AND OTHER PUBLIC FIGURES SHOULD THE REPORT BE MADE PUBLIC.

5. THERE ARE TWO MAJOR AREAS OF U.S. INTEREST IN ALL OF THIS:

A) ROUTE RIGHTS - ACTUAL OR POTENTIAL LOSS OF NORTHERN ROUTE RIGHTS COULD WELL STIMULATE INTEREST BY THAI INTER, AND THEREFORE RTG, IN ACQUIRING ADDITIONAL ROUTE RIGHTS, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BANGKO 00569 091330Z

PARTICULARLY FROM USG. THAI INTER COULD, FOR EXAMPLE, THROW ITS WEIGHT BEHIND AIR SIAM'S DESIRE FOR GUAM-TOKYO SERVICE, AS AN ALTERNATIVE TO AIR SIAM'S RESTRUCTURING PROPOSAL.

B) AIRCRAFT SALES - THAI INTER, WHICH IS CURRENTLY OPERATING TWO DC-10'S UNDER LEASE FROM UTA, HAS CONTRACTED WITH DOUGLAS TO BUY TWO DC-10'S (FOR DELIVERY IN FEBRUARY AND MAY 1977) WITH OPTIONS TO PURCHASE THREE MORE (REF C).

DECISION ON FIRST OF ADDITIONAL THREE WAS TO HAVE BEEN MADE DEC. 30 1975, BUT, WE UNDERSTAND, HAS BEEN DEFERRED PENDING DECISION ON ROUTE RESTRUCTUREING PROPOSAL. LOSS OF ADDITIONAL THREE SALES WOULD, WE ASSUME, BE SERIOUS BLOW TO DOUGLAS. AIR SIAM, OF COURSE, DOES NOT PRUCHASE AIRCRAFT, AND REFERENCE TO ACQUISITION OF LOCKHEED TRISTAR (PARA 3 ABOVE), IF SERIOUS, MAY REFLECT INTENTION FOR EXPANDED USE OF AIR CEYLON TRISTAR, UNDER AIR SIAM-AIR CEYLON AGREEMENT (REF D), WHICH SOURCE HERE TELLS US HAS BEEN APPROVED FOR SEPTEMBER 1976.

7. EMBOFF HAS JAN 12 APPOINTMENT TO DISCUSS RESTRUCTURING PROPOSAL WITH DR. SISUK OF MINISTRY OF COMMUNICATIONS. HOPEFULLY INTERVIEW WILL ENABLE US TO PROVIDE FIRMER INSIGHTS INTO BASIC ISSUES AND PROPSPECTS WITH REGARD TO U.S. INTERESTS.  
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